

**BILL #** HB 2448

**TITLE:** AHCCCS; verification of eligibility

**SPONSOR:** Burges

**STATUS:** As Amended by Senate HEALTH

**PREPARED BY:** Russell Frandsen

## **FISCAL ANALYSIS**

### **Description**

HB 2448 requires all Medicaid applicants applying after July 1, 2006 to provide documents proving identity and citizenship, as required by the federal Deficit Reduction Act (DRA) of 2005, in order to be eligible for services. Federal legislation requires the state, beginning on July 1, 2006, to comply with the provisions of the DRA.

### **Estimated Impact**

The bill's documentation requirements would generate savings by reducing the ineligible caseload. The savings cannot be determined with certainty, however, as there are no definitive estimates on how many Arizona Medicaid applicants would not be able to produce the needed documentation. The new documentation requirements may lengthen the application process and/or increase emergency room utilization, which may generate some offsetting costs.

AHCCCS estimates additional costs due to the new procedures, but has not quantified those costs, nor has it provided an estimate of possible savings.

### **Analysis**

#### Current Practice

AHCCCS currently requires applicants to sign a statement, under penalty of perjury, that confirms that the applicant is a citizen or legal resident of the United States. Statute requires AHCCCS to verify citizenship or legal residency status; AHCCCS does this by verifying all applicants' Social Security numbers and requiring documentation when inconsistencies are present in an application.

#### HB 2448

The bill requires all Medicaid applicants after July 1, 2006 to submit specific identity and citizenship documentation. This documentation includes a U.S. passport, birth certificate, a valid driver's license or other documentation approved by the U.S. Secretary of Health and Human Services or other specific naturalization and citizenship documentation.

The Congressional Budget Office (CBO) estimates nationwide federal savings of \$20,000,000 in FY 2007 and \$95,000,000 in FY 2012 from this portion of the DRA. The CBO estimates are based on the assumption that 0.05% of Medicaid applicants would be excluded from receiving benefits by FY 2012. CBO assumed that it would take awhile for states to implement the law and that the requirements would not be strictly enforced for all applicants. CBO did not use any studies or quantitative data in making their savings estimates. In FY 2004, Arizona's Medicaid expenditures were 1.4% of total U.S. Medicaid expenditures according to the Kaiser Family Foundation. Applying this percentage to CBO's savings estimate produces Arizona savings of \$(95,300) General Fund and \$(435,400) total funds in FY 2007 and \$(452,500) General Fund and \$(2,067,600) total funds in FY 2012. However, it is possible that Arizona could have more than 1.4% of unverifiable applicants nationwide.

AHCCCS has indicated that it cannot at this time determine the cost or savings from this bill until it receives more direction from the federal government regarding guidelines for implementing the DRA. AHCCCS has not estimated how many applicants may not qualify for services because of the new documentation required. For every 1% of the Medicaid population that do not qualify, capitation rate expenditures would be reduced by \$(15,788,100) General Fund and \$(65,922,400) total funds.

AHCCCS is under federal requirements to process most types of applications within 45 days. AHCCCS states that this additional documentation requirement could result in application delays. If applications are delayed, then AHCCCS estimates that capitation expenditures may increase. Applicants approved for services have their medical bills paid retroactively back to the date of their application by health plans. Because of the risk of higher medical bills incurred outside of the health plan's system, AHCCCS states that it generally pays health plans a higher capitation rate for this prior period coverage.

There are no direct estimates of how many AHCCCS recipients lack ready access to the primary documents that could result in application delays. There is some relevant data, however, on the general population. A telephone survey of 2,026 randomly selected adults conducted by the Opinion Research Corporation between January 12 to 16, 2006 indicated that 8.1% of U.S.-born adults with incomes less than \$25,000 do not have a birth certificate or U.S. passport. In the 2006 federal poverty guidelines, \$25,000 classifies all family units with 5 or less persons as being under 100% of the federal poverty line and usually eligible for Arizona Medicaid programs. In addition JLBC Staff estimates the Arizona adult population without a driver's license that can be used as proof of citizenship at 23%.

Those individuals newly without medical coverage could seek help in emergency rooms where by federal law they cannot be denied services. Individuals without legal authorization still may qualify for federal emergency medical services which requires a 33.4% state match for costs in FY 2007. If this resulted in an increase of emergency room usage, then this could result in higher costs to state for emergency medical services. No estimate of these costs has been attempted for this analysis.

#### **Local Government Impact**

None.

4/3/06